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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

April and May 2015: budgetary surplus of $3.9 billion

For the first two months of the 2015–16 fiscal year (April and May), there was a budgetary surplus of $3.9 billion, compared to a deficit of $1.1 billion reported in the same period last year. By month, there was a surplus of $2.5 billion in April and a surplus of $1.4 billion in May.

For the two months combined, revenues increased by $5.5 billion, or 12.8 per cent, largely reflecting increases in income tax revenues, excise taxes and duties, and the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015. Program expenses were up $0.6 billion, or 1.5 per cent, reflecting increases in major transfers to persons and other levels of government, offset in part by a decrease in direct program expenses. Public debt charges decreased by $0.1 billion, or 2.3 per cent.

April and May 2015 budgetary results

There was a budgetary surplus of $3.9 billion in the April to May 2015 period, compared to a $1.1 billion deficit for the same period in the previous year.

Revenues increased by $5.5 billion, or 12.8 per cent, to $49.1 billion.

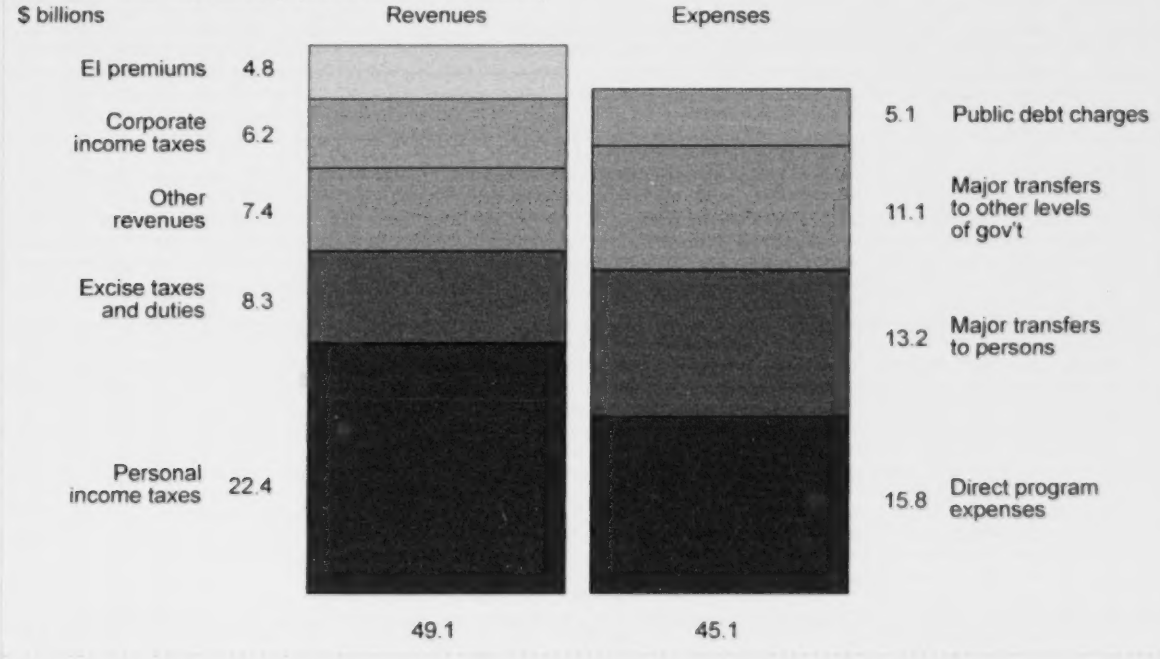
- Personal income tax revenues were up $1.9 billion, or 9.2 per cent, reflecting, in part, timing issues which raised the May 2015 results.
- Corporate income tax revenues were up $0.5 billion, or 9.0 per cent.
- Non-resident income tax revenues were down $0.1 billion, or 7.6 per cent.
- Excise taxes and duties were up $0.6 billion, or 8.3 per cent. Within this component, Goods and Services Tax revenues were up $0.6 billion, or 11.3 per cent. Energy taxes were up $0.1 billion, customs import duties were up $46 million and other excise taxes and duties were down $0.1 billion.
- Employment Insurance (EI) premium revenues were up $0.2 billion, or 3.7 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $2.4 billion, or 58.2 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

Total program expenses in the April to May 2015 period were $40.0 billion, up $0.6 billion, or 1.5 per cent, from the prior year. This increase mainly reflects higher transfer payments to persons and other levels of government, offset in part by a decrease in direct program expenses.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased by $0.7 billion, or 5.7 per cent. Elderly benefits increased by $0.4 billion, or 4.9 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.3 billion, or 10.2 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $31 million, or 1.4 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.5 billion in the April to May period, or 4.8 per cent, from the prior year, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and the Equalization and Territorial Formula Financing transfers.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of departments and agencies, and expenses of Crown corporations. Direct program expenses in the April to May period were down $0.6 billion, or 3.9 per cent, from the prior year.
    - Transfer payments decreased by $0.1 billion, or 2.7 per cent.
    - Other direct program expenses decreased by $0.5 billion, or 4.4 per cent, due in large part to a decrease in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $0.1 billion, or 2.3 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April 2015 to May 2015)



Note: Totals may not add due to rounding.

Financial requirement of $1.4 billion for April and May 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $3.9 billion and a requirement of $5.4 billion from non-budgetary transactions, there was a financial requirement of $1.4 billion for the April to May 2015 period, compared to a financial requirement of $3.6 billion from the same period the previous year.

Net financing activities up $13.5 billion

The government financed this financial requirement of $1.4 billion and increased cash balances by $12.1 billion by increasing unmatured debt by $13.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May 2015 stood at $40.1 billion, up $0.1 billion from their level at the end of May 2014.

Table 1
Summary statement of transactions
($ millions)

	April		May		April - May	
	2014	**2015**	**2014**	**2015**	**2014–15**	**2015–16**
Budgetary transactions						
Revenues	21,586	25,370	21,916	23,681	43,502	49,051
Expenses						
Program expenses	-20,364	-20,298	-19,086	-19,729	-39,450	-40,027
Public debt charges	-2,636	-2,528	-2,563	-2,550	-5,199	-5,078
Budgetary balance (deficit/surplus)	-1,414	2,544	267	1,402	-1,147	3,946
Non-budgetary transactions	-434	-585	-2,004	-4,798	-2,438	-5,383
Financial source/requirement	-1,848	1,959	-1,737	-3,396	-3,585	-1,437
Net change in financing activities	11,510	6,510	5,926	7,027	17,436	13,537
Net change in cash balances	9,662	8,469	4,189	3,631	13,851	12,100
Cash balance at end of period					39,923	40,052

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Revenues

	April		May		April - May		
	2014	2015	2014	2015	2014–15	2015–16	Change
	($ millions)						(%)
Tax revenues							
Income taxes							
Personal income tax	10,462	11,111	10,013	11,243	20,475	22,354	9.2
Corporate income tax	2,826	3,417	2,886	2,811	5,712	6,228	9.0
Non-resident income tax	451	336	422	471	873	807	-7.6
Total income tax	13,739	14,864	13,321	14,525	27,060	29,389	8.6
Excise taxes and duties							
Goods and Services Tax	2,305	2,413	2,781	3,249	5,086	5,662	11.3
Energy taxes	416	517	443	424	859	941	9.5
Customs import duties	364	390	353	373	717	763	6.4
Other excise taxes and duties	419	408	571	511	990	919	-7.2
Total excise taxes and duties	3,504	3,728	4,148	4,557	7,652	8,285	8.3
Total tax revenues	17,243	18,592	17,469	19,082	34,712	37,674	8.5
Employment Insurance premiums	2,377	2,479	2,257	2,325	4,634	4,804	3.7
Other revenues	1,966	4,299	2,190	2,274	4,156	6,573	58.2

Total revenues	21,586	25,370	21,916	23,681	43,502	49,051	12.8

Note: Totals may not add due to rounding.

Table 3
Expenses

	April		May		April - May		
	2014	2015	2014	2015	2014–15	2015–16	Change
	($ millions)						(%)
Major transfers to persons							
Elderly benefits	3,553	3,723	3,573	3,755	7,126	7,478	4.9
Employment Insurance benefits	1,893	1,726	1,271	1,760	3,164	3,486	10.2
Children's benefits	1,100	1,075	1,059	1,115	2,159	2,190	1.4
Total	6,546	6,524	5,903	6,630	12,449	13,154	5.7
Major transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	2,676	2,836	2,676	2,835	5,352	5,671	6.0
Canada Social Transfer	1,048	1,080	1,049	1,080	2,097	2,160	3.0
Total	3,724	3,916	3,725	3,915	7,449	7,831	5.1
Fiscal arrangements and other transfers	1,945	2,016	1,944	2,015	3,889	4,031	3.7
Canada's cities and communities	0	0	0	0	0	0	n/a
Quebec Abatement	-376	-384	-376	-385	-752	-769	2.3
Total	5,293	5,548	5,293	5,545	10,586	11,093	4.8
Direct program expenses							
Transfer payments							
Aboriginal Affairs and Northern Development	960	958	332	304	1,292	1,262	-2.3

Agriculture and Agri-Food	16	25	26	37	42	62	47.6
Employment and Social Development	340	328	334	313	674	641	-4.9
Foreign Affairs, Trade and Development	61	213	305	146	366	359	-1.9
Health	414	437	260	223	674	660	-2.1
Industry	220	221	132	71	352	292	-17.0
Other	785	745	682	714	1,467	1,459	-0.5
Total	2,796	2,927	2,071	1,808	4,867	4,735	-2.7
Other direct program expenses							
Crown corporations	702	746	485	622	1,187	1,368	15.2
National Defence	1,493	1,354	1,580	1,633	3,073	2,987	-2.8
All other departments and agencies	3,534	3,199	3,754	3,491	7,288	6,690	-8.2
Total other direct program expenses	5,729	5,299	5,819	5,746	11,548	11,045	-4.4
Total direct program expenses	8,525	8,226	7,890	7,554	16,415	15,780	-3.9
Total program expenses	20,364	20,298	19,086	19,729	39,450	40,027	1.5
Public debt charges	2,636	2,528	2,563	2,550	5,199	5,078	-2.3
Total expenses	23,000	22,826	21,649	22,279	44,649	45,105	1.0

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
($ millions)

	April		May		April - May	
	2014	**2015**	**2014**	**2015**	**2014 -15**	**2015 -16**
Budgetary balance (deficit/surplus)	-1,414	2,544	267	1,402	-1,147	3,946
Non-budgetary transactions						
Capital investment activities	-83	-108	-120	-54	-203	-162
Other investing activities	1,443	504	1,079	-630	2,522	-126
Pension and other accounts	169	294	189	111	358	405
Other activities						
Accounts payable, receivables, accruals and allowances	-2,231	-5,491	-3,847	-2,583	-6,078	-8,074
Foreign exchange activities	-139	3,828	357	-2,022	218	1,806
Amortization of tangible capital assets	407	388	338	380	745	768
Total other activities	-1,963	-1,275	-3,152	-4,225	-5,115	-5,500
Total non-budgetary transactions	-434	-585	-2,004	-4,798	-2,438	-5,383
Financial source/requirement	-1,848	1,959	-1,737	-3,396	-3,585	-1,437

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
($ millions)

	April		May		April - May	
	2014	**2015**	**2014**	**2015**	**2014–15**	**2015–16**
Financial source/requirement	-1,848	1,959	-1,737	-3,396	-3,585	-1,437
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	5,096	8,118	3,794	-1,417	8,890	6,701
Treasury bills	6,900	1,400	3,000	6,600	9,900	8,000
Retail debt	-60	-40	-6	3	-66	-37
Other	0	0	0	0	0	0
Total	11,936	9,478	6,788	5,186	18,724	14,664
Foreign currency borrowings	-93	-802	66	268	-27	-534
Total	11,843	8,676	6,854	5,454	18,697	14,130
Cross-currency swap revaluation	-350	-2,287	-866	1,530	-1,216	-757
Unamortized discounts and premiums on market debt	51	158	-47	59	4	217
Obligations related to capital leases and other unmatured debt	-34	-37	-15	-16	-49	-53
Net change in financing activities	11,510	6,510	5,926	7,027	17,436	13,537
Change in cash balance	9,662	8,469	4,189	3,631	13,851	12,100

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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